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C O N F I D E N T I A L SECTION 01 OF 03 NEW DELHI 007661

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E.O. 12958: DECL: 11/06/2016

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SUBJECT: NEW DEFENSE MINISTER ANTONY ASSURES AMBASSADOR OF
COMMITMENT TO DEFENSE FRAMEWORK; PUSHES CIV-NUKE DEAL

REF: NEW DELHI 7358

Classified By: Ambassador David Mulford for Reasons 1.4 (B, D)

11. (C) Summary. In a courtesy call by the Ambassador, new
Defense Minister A.K. Antony:

-- emphasized the importance of concluding the civil nuclear
cooperation agreement;

-- said India is consciously seeking to expand its defense
relationship with America;

-- confirmed he will follow the vision of the Defense
Framework signed by the U.S. and India in 2005; and

-- expressed appreciation for the integrity of the U.S.
defense industry, noting that transparency was a goal of
India's defense procurement program.

Ambassador Mulford:

-- provided Antony with his views on prospects for the civil
nuclear deal;

-- urged India to quickly sign the CISMOA and LSA agreements
(Communications Interoperability and Security Memorandum of
Agreement, and Logistics Support Agreement, respectively);

-- advocated on behalf of the U.S. defense industry for the Ministry of Defense to move quickly and transparently in its procurements, specifically noting how delays in the Indian Army helicopter procurement caused concern to U.S. bidder Bell Helicopter and ultimately risked a more costly purchase for India; and

-- invited Minister Antony to the U.S. pavilion at Aero India 2007, to include a ride on a U.S. plane should Antony be interested.

End Summary.

Defense Relationship Growing; Time for More

12. (C) Ambassador Mulford made his initial courtesy call on November 7 on A.K. Antony, India's Defense Minister since October 24. Noting the significant growth in bilateral military-to-military engagements in recent years, the Ambassador stressed the importance the U.S. attaches to the defense relationship in the context of a broad and improving relationship. The Ambassador then urged Antony to keep up the positive momentum, and cited CISMOA and the LSA -- the drafts for both of which the U.S. has edited to meet India's concerns -- as agreements which, if signed soon, could serve as next steps for facilitating defense cooperation.

Taking Conscious Steps to Expand Relations; A Push Back for

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Civ-Nuke

13. (C) Antony said India was happy with the way U.S.-India relations have developed in the past few years, adding the Indian government is taking conscious steps to expand and diversify the relationship, such as in trade and agriculture.

He then referred to the civil nuclear cooperation initiative, calling it a "milestone," and said he hoped the U.S. Congress would deal with the related legislation when it reconvenes after mid-term elections. He stated he understood the difficulties and complexities involved in getting the bill through Congress, but at the same time noted that India had conveyed its objections to proposals which it felt were not in the spirit of the agreement announced by President Bush and Prime Minister Singh on July 18, 2005. He said he hoped the final legislation could be worked out to our mutual satisfaction. Regarding defense cooperation, Antony said India is consciously trying to expand defense ties with the U.S. and listed our common interests to include strengthening democracy around the world and the Global War on Terror. The Ambassador responded by offering his views on prospects for the civil nuclear deal to be passed during November's "lame duck" congressional session, stressing the importance the President places on not only this agreement, but on overall U.S.-India relations. The Ambassador also explained the bipartisan support in Congress for India.

Urging Speed and Transparency in Defense Procurements

14. (C) Pointing out that many U.S. defense manufacturers have established themselves in India in the last few years, the Ambassador discussed U.S. efforts to become competitive in securing Indian defense procurements. He explained efforts to eliminate barriers to high-tech equipment and technologies. While admitting that U.S. and Indian procurement systems were different and the interface between the two could be difficult at times, Ambassador Mulford said we can work through those differences. He urged the Ministry of Defense to avoid unnecessary delays in procurements, and cited the case of Bell Helicopters, whose bid on 197 Indian Army helos has twice been set back, as an example of how

delays can drive up costs for manufacturers and for India. The Ambassador said the U.S. will work to be as competitive as possible in meeting India's procurement needs, adding he hoped we could work together to expand bilateral defense trade.

Expansion Must Come Within Defense Framework

15. (C) Antony replied that defense trade is an area where India's system, too, needs improvement, saying that current procurement policies are complex and multi-layered, and adding, "In a democracy, delays will take place." He explained that in the past India's procurement policy was

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confined to "certain countries," and that affected the U.S.-India relationship, but now, as a matter of policy, India is trying to diversify. India wants to modernize its armed forces, he said, without compromising transparency, and that is why the new offset policy contains an integrity pact. "We don't want middlemen," he stated. He added his ministry was working on how it can shorten the procurement process. He also said that the India-U.S. defense sphere must expand in the years ahead, and that "it must come under the Defense Framework agreed upon by my predecessor (and Secretary Rumsfeld)."

U.S. a Reliable Partner

16. (C) Referring to conversations he had held with U.S. defense companies, the Ambassador told Antony they were committed to creative ideas for co-production and/or joint ventures with Indian companies in fulfilling offset obligations. He urged Antony to consider allowing companies to direct offsets more broadly than strictly within the defense sector, pointing out the positive experience American companies have had fueling growth and development in other countries. He then explained the integrity that is inherent in laws concerning the U.S. defense industry, such as with the Foreign Corrupt Practices Act, which are aggressively enforced on Americans involved in corrupt behavior. Antony enthusiastically responded, "That's very good. Hearing that suggests (your policies) support our procurement policy."

An Invitation to Ride at Aero India and Another to Continue Dialogue

17. (C) The Ambassador concluded by inviting Antony to the U.S. pavilion at Aero India 2007, to be held in Bangalore in February. He offered Antony an invitation to ride a U.S. plane, should he be interested. Antony did not respond directly. The new Defense Minister concluded by noting he has only been in charge of the ministry for a few days, but offered "I think that now we can continue our dialogue."

Lack of English Noted

18. (C) Comment and bio note. Antony's command of English is not fluent. (Note: see reftel for fuller Antony bio. End note.) He has a reputation as "Mr. Clean," and evinced enthusiasm for attacking corruption when the Ambassador described the workings of the Foreign Corrupt Practices Act. With a background as a left-wing politician, Antony joined the government as part of the UPA's elaborate balancing act. But initial impressions suggest he fully supports: 1) the Defense Framework set out by his predecessor; and 2) his Prime Minister's efforts to strengthen ties with the U.S.

MULFORD